

**Date:** August 14, 2002

**To:** Peter Schaafsma, Chief Consultant  
Republican Fiscal Consultants

**From:** Dave Vasché, Director  
Economics, Taxation, and Fiscal Forecasting

Brad Williams, Senior Economist

**Subject:** Impact of SB 1849 on Out-Year Budget Projections

Figure 1 (see next page) provides the information you requested regarding the impact of SB 1849 (Committee on Budget and Fiscal Review) on our projections of annual operating balances occurring under AB 425 (Oropeza) for 2002-03 through 2007-08. As you know, SB 1849 would eliminate the vehicle license fee (VLF) increase included in AB 425 and replace it with a higher tax on cigarettes, a new levy on satellite television subscribers, a suspension of the solar tax credit, and withholding on stock options and real estate sales. The figure shows:

- In 2002-03 and 2003-04, the net changes in the operating balances are relatively modest. This is because the additional receipts from new provisions in SB 1849 are largely offset by the loss of VLF revenues and (in 2002-03) added costs for Proposition 98. The increased Proposition 98 costs occur because of the effects of added revenues on the maintenance factor repayment requirement in 2002-03 (the elimination of the VLF increase shows up on the expenditure side, and thus has no impact on Proposition 98).
- In subsequent years, the annual operating balances under SB 1849 improve relative to AB 425 by about \$1.4 billion in 2004-05, down to \$1.1 billion by 2007-08. The annual increases are largely related to the fact that the cigarette tax increase and the new tax on satellite television subscribers are ongoing, whereas the VLF increase under AB 425 applies to just the 2003 calendar year.

If you have any questions about this figure, please feel free to contact either Dave Vasché at 319-8305 or Brad Williams at 319-8306.